



Commonwealth of Massachusetts
**DEPARTMENT OF HOUSING &
COMMUNITY DEVELOPMENT**
Deval L. Patrick, Governor ♦ Aaron Gornstein, Undersecretary

Testimony of Aaron Gornstein
Before the Joint Committee on Housing
“An Act to Regionalize Public Housing” (House 44)
October 1, 2013

Good afternoon, Chairman Honan, Chairman Eldridge, and members of the Committee. My name is Aaron Gornstein and I am the Undersecretary for the Department of Housing and Community Development. I want to thank you for this opportunity to testify in support of House 44, an Act to Regionalize Public Housing. I appreciate the time the committee has focused on this issue and the opportunity you have given the residents of the Commonwealth to participate in this process.

For the first time in the 70 years since public housing was established, Governor Patrick has filed legislation that will transform, modernize and strengthen the operations of the state's public housing system. The core of the Governor's reform is the consolidation of the 240 separate Local Housing Authorities (LHAs) into six regional bodies. The proposed reorganization will result in more efficient, cost-effective administration, greater transparency and accountability, and better tenant services. At the same time, localities will maintain control over the public housing decisions that most affect their communities.

Governor Patrick is a passionate advocate for our state's public housing system, which provides homes for over 200,000 of our most vulnerable residents – including seniors, people with

disabilities, low-income families, and veterans. Public Housing's 83,000 state and federal units and 55,000 rental vouchers make up the largest pool of affordable housing in Massachusetts. Since taking office in 2007, Governor Patrick has led an impressive reform agenda to preserve this housing by substantially increasing funding, instituting innovative programs, and strengthening administrative procedures. While significant gains have been made the system still faces significant challenges.

Last year, I had the privilege to lead a study commission that the Governor charged with recommending strategies to bring about stronger governance, more effective operations, greater efficiencies in public expenditures and increased accountability and transparency. I would like to thank Chairman Honan and Chairman Eldridge, Senators DiDomenico and Tarr, Representative Holmes, and former Representative George Ross for their participation on the Commission. I would also like to thank MassNAHRO, the Mass Union of Public Housing Tenants, and the many other stakeholders who continue to meet with DHCD in an advisory capacity. I am pleased to report that DHCD has acted on almost every recommendation made by the Commission. Let me highlight some of our accomplishments:

- We established a salary cap of \$160,000 for all housing authority executive directors and require all housing authorities to report the salaries of the five highest-paid employees. We now require confirmation that monthly board meetings occur and that board members attend regularly. Board members are also now providing enhanced certification regarding the accuracy of budgets and year-end financial statements.
- We are developing a mandatory training for all board members, to ensure that they fully understand their duties and responsibilities.

- We issued a new policy whereby we withhold money from housing authorities for units that have been vacant for more than 60 days without an approved waiver.
- Beginning in fiscal year 2014, housing authorities will be required to have an independent financial audit conducted annually. This will give DHCD and the public a closer look at housing authority financial practices.
- We are developing a centralized application and waiting list system for public housing units, which will make public housing more accessible to the people who need it the most.
- We have dedicated over \$4M to get over 400 vacant units re-occupied, and invested \$2M in special health and safety improvements and an additional \$2M in energy and water saving projects.
- Recently, we launched the High Leverage Asset Preservation Program, to invest in comprehensive modernization of the system's most dilapidated buildings.
- We are focusing on conducting on-site performance reviews of LHAs and are establishing performance benchmarks to evaluate progress.
- Finally, we are preparing a new program to support family economic self-sufficiency and are working with the Executive Office of Elder Affairs to expand support services in elderly public housing.

These actions have led to greater transparency and accountability, hundreds of vacant units being re-occupied, a more sustainable and energy efficient capital asset, expanded supports for frail seniors, and innovative opportunities for families who are trying to get ahead. The Department of Housing and Community Development has utilized its administrative authority to implement these initiatives and reforms. But we know that further change is needed.

Many of our public housing units were built in the 1950s and '60s. As the housing ages, the physical and operational requirements to administer the system become more complex. The existing system is incapable of meeting these challenges, primarily due to the lack of scale and capacity at the majority of LHAs. Many housing authorities also lack the resources to provide adequate services to our increasingly complex tenant population.

Our system of 240 housing authorities might have worked 70 years ago, when local initiative to build public housing produced affordable housing in every region of the state. But this system can no longer meet today's challenges. Most of our housing authorities do the best they can with what they have: good intentions but limited resources; inadequate staff capacity; antiquated systems; and dedicated boards that often lack training and technical assistance. But the bottom line is the majority of housing authorities cannot afford to purchase the wide range of skillsets needed to manage all aspects of running a housing authority. This often results in slow turn-over of vacant units, gaps in services to tenants when staff is sick or on vacation, limited capacity to conduct routine and preventive maintenance, and, minimal capacity to prepare a capital plan or implement capital projects. Many housing authorities are also drawing from a small pool of local residents who are willing to serve on a housing authority board, so they often end up with boards that are dedicated and compassionate, but lacking in the skills necessary to provide appropriate leadership and oversight.

For this reason, Governor Patrick has proposed to regionalize housing authorities. The intent of this legislation is not to eliminate the many important and valuable assets of our local public housing system. Rather, the intent is to embrace these assets, including the current employees, and reorganize them into a more logical, modern, efficient and sustainable system that is poised to meet today's needs and take advantage of today's opportunities.

Under the Governor's legislation, each Regional Housing Authority (RHA) will assume ownership of public housing land, buildings and equipment and be responsible for fiscal and operational management of all state and federal public housing and vouchers in the particular region. Each RHA will have a nine Member Board appointed by the Governor, consisting of two tenants, six experts in multi-family housing operation and one organized labor representative, all living in the region served. Each RHA will own and manage approximately 12,000 units in approximately 40 communities, resulting in authorities with enough scale to purchase the kind of skills and technology needed to manage this portfolio successfully.

Best practice is built on highly responsive and personalized services to residents, and on the purchase of goods and services that typically offer the least costly and most timely option.

Under the Governor's legislation, daily operations will remain on-site, with local staff employed by the RHA providing service to tenants. Other more complex operating, executive and administrative responsibilities will benefit from centralized expertise and experienced oversight. We know this works because there are many property management companies which manage thousands of affordable units – including public housing – that use a similar operating structure and they often do this on behalf of local non-profit development organizations that care passionately about local control.

There have been rumors and misinformation that has been brought up regarding the need for residents to call Boston or another “less than local” office to get a faucet fixed or have their hallways cleaned - this is completely false. On-site staff will continue to collect rent, help tenants access services, clean common areas maintain the grounds and make routine repairs.

Site staff will be backed up by experienced regional staff, with one executive director and senior staff who have expertise in finance, law, administration, procurement, accounting, human

resources, compliance, resident services, capital management and preventative maintenance. Regional Housing Authorities will provide the legal and financial infrastructure to allow for the collective purchase of modern equipment, technology and systems for use in every community, and will manage the deployment of staff across communities when back-up is needed.

The Governor's legislation preserves the critical role of local communities in shaping their public housing. Local government can opt for a locally-appointed Local Housing Commission, or choose to assign its governance role to a local planning board. Under the Governor's proposal, local communities will control the development of new public housing, the sale of vacant public housing land, and other decisions that affect the change of use or sale of an existing public housing building. They will have oversight of housing authority operations through review of an annual local public housing plan, prepared by the Regional Housing Authority, that outlines projected capital and operating expenditures, anticipated programs and tenant participation activities. This new requirement will increase transparency and accountability by mandating annual public participation in housing authority planning and performance review.

Tenant organizations contribute vital oversight of housing authority operations and lend an important voice in advocating for a stronger public housing program. The Governor's legislation creates a system that is poised to work with tenant organizations at the local, regional and statewide levels. Locally, tenants can organize to ensure that their most immediate building and service needs are addressed by continuing to meet regularly with their site manager. These individual local tenant organizations will now be able to advocate together, working with their regional housing authority to ensure consistent and fair policies and procedures in every LHA across the region. Tenant leaders from these six regions could also work together to advocate at the state level for more funding, improved regulations, and responsive government.

Besides improved services for tenants and enhanced local transparency and accountability, the regional housing authorities are projected to save the Commonwealth millions of dollars annually - dollars that can be reinvested into housing - by consolidating administrative functions; realizing utility savings through combined rate negotiation and bulk purchasing; and regionalizing capital project management practices. Equally important, preventative maintenance will head off costly capital repairs, and vacant units will be turned around more quickly.

The final important element of the reform package is the realignment of DHCD's role. The establishment of regional housing authorities will strengthen the management of public housing in communities with a small number of units, thereby relieving DHCD from some of its technical assistance role. Under the reform, DHCD staff would be able to focus their attention on funding and oversight of housing authorities, and supporting innovation and best practice. This role includes a more robust process for tracking and monitoring all of the reporting requirements. More importantly, DHCD will initiate a system of regular on-site performance review of all housing authorities.

I want to leave you with some information about best practice that I hope helps to guide your consideration of the Governor's legislation. The legislation is based on best practice in the property management sector, which utilizes economy of scale of no less than 1,500 units per management entity to ensure cost effective service delivery. This principle is practiced in every sector of the affordable and market-rate housing industry, but infrequently in public housing. The 207 smaller housing authorities that own and manage fewer than 500 units are too small to be able to afford the breadth and depth of skills and capacity necessary to address the complex challenges facing public housing today. In fact, 105 of these smaller housing authorities own and operate fewer than 100 units. The 18 mid-sized housing authorities that own between 500 and 1,000 units can purchase some of these skilled services; however, they do so at a high per

unit cost that diverts funding from priority services and repairs. By including the 15 largest housing authorities that own more than 1,000 units in the regional housing authority system, the Commonwealth can maximize the system's collective efficiency and ensure that more resources are invested in maintenance and tenant services.

I would like to point out that DHCD has been undertaking many elements of several of the other bills you are considering today through our administrative authority, such as a mandatory audit requirement, performance benchmarking and a centralized application and waitlist system. I welcome engagement with the legislature on how to further strengthen and implement these important initiatives.

There is a growing consensus for the need to strengthen the operating capacity of housing authorities, as demonstrated through the recommendations of the Governor's Commission on Sustainability and Reform. As you evaluate the proposals before you, I urge you to consider several principles which I believe are critical to the success of public housing reform:

- First, reform should lead to improved conditions and better services for residents. Central to this is "local touch" to provide highly responsive service to residents.
- Second, having a significant operating scale of no less than 1,500 units is necessary to support efficient use of public funds to pay for all of the necessary components that go into successful, high quality operations. And even greater scale can support maximum efficiency without losing local touch and local control, as illustrated in the Governor's legislation.
- Third, in order for system reform to be sustainable over time, it cannot rely on voluntary programs, even if these programs include incentives for participation. Reform must

include mandatory participation in a new operating system to build a logical, economically viable and ultimately stable delivery system.

- Fourth, reform should include strong elements that preserve local control to provide residents, neighbors and local government a voice in the administration of public housing.
- Fifth, reform should result in expanded transparency and accountability.

In summary, it is truly extraordinary to consider the bills before you today, each of which underscores the consensus that has emerged: change to the public housing system is necessary. Governor Patrick's regionalization approach can ensure a consistently high level of services to public housing residents and the cost-effective investment of taxpayer dollars through a thoughtful alignment of regional operations and strong local partnerships.

Once again, I want to thank you for your commitment to hear from public housing residents, advocates and stakeholders on this important matter. I applaud the committee and committee staff for the extensive time you are dedicating to the process through your participation on the Governor's Commission, the Advisory Committee, by holding three public hearings, and the many field visits you have conducted at various housing authorities throughout the Commonwealth. I also want to thank you for this opportunity to testify and I look forward to continuing our work together on this ground-breaking reform. I am happy to answer any questions you may have at this time.

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